

Operation and Maintenance Efficiencies

PROBLEM STATEMENT

Governments across the country are using a variety of strategies to achieve greater efficiencies in operation and maintenance of transportation agencies. Given that the total transportation investment in operation and maintenance is \$1.29 billion in Washington State, careful examination of potential efficiencies in this area is warranted.

Do opportunities exist for increased efficiency in the operation of transportation agencies in Washington State? This discussion paper describes opportunities identified within the Washington State Department of Transportation, focusing on the cost-effectiveness of highway maintenance and cost analysis and information systems. Much of the discussion applies equally to other transportation agencies, including transit providers.

Cost and service improvements can be achieved through workplace reengineering. This includes forming project teams, goal-setting, and encouraging employees, especially those on the front line, to generate ideas for reforms and innovative approaches. The quality improvement teams formed at WSDOT are one example.

MANAGED COMPETITION OF HIGHWAY MAINTENANCE

Managed competition represents one possible way to unleash creative ideas from the workforce and lead to improvements. Under managed competition, private sector bids are sought for a service and then compared to a bid prepared by the public staff that currently performs the service, with the possibility of the award going to either the public or private sector. Pilot programs in managed competition for highway maintenance elsewhere, including Massachusetts, Iowa, and Indianapolis, have found service improvements and cost savings in the range of 15 to 35 percent.

In a report called *Working Together for Public Service*, the U.S. Secretary of Labor Task Force on Excellence in State and Local Government through Labor-Management Cooperation noted that managed competition of public services can be controversial and divisive. The subject can be approached fruitfully, however, if public officials give attention to the following issues:

- (a) the availability of adequate financial and performance data;
- (b) the importance of a level playing field, including clear ground rules on cost comparison methodology; and
- (c) the presence of a “safety net” if changes or reductions of positions result.

Mediated negotiations between labor and management can help achieve the full potential of managed competition.

Authorizing legislation would be needed for managed competition in Washington, which prohibits state agencies from contracting with a private contractor for work traditionally performed by civil service employees. A 1998 performance audit of WSDOT by the Joint Legislative Audit and Review Committee (JLARC) recommended legislation authorizing a pilot program for highway maintenance and estimated costs savings of 10 percent or more, as well as improved service levels.

COST ANALYSIS AND INFORMATION SYSTEMS

One cross-cutting issue in the JLARC performance audit concerned how to improve WSDOT's information systems to facilitate understanding and assessing its costs of operations. The audit recommended that WSDOT enhance its management and financial accounting systems to enable a better view of project histories throughout all phases from design through construction.

Other reports of public sector performance, including the Task Force Task Force Report, also recognize the importance of access to comparable data that accurately measure cost and quality of services. A better understanding of costs would improve evaluation of performance, allow comparison of operations to benchmarks elsewhere, and help to highlight cost implications of alternative project delivery methods, including managed competition and other use of private sector resources.

The JLARC audit suggested activity-based cost concepts that cover the total costs of performing an activity. While agreeing with the JLARC recommendations, WSDOT is awaiting funding from the Legislature to develop a new management reporting system to report cost elements, and devoting its existing resources for management information systems to accomplishing Y2K compliance modifications and systems updates. WSDOT is engaged in a data architecture study, to identify duplications and to clarify and standardize data definition for all systems the agency uses. WSDOT is also establishing a cost allocation plan that will establish overhead allocations for WSDOT as a whole, as well as for its three main functions of maintenance, construction, and the ferry system.